

Bottom Line: 'India's Google'

February 11 2006

During the week of Feb. 6 prices on Rediff first surged from \$22 up to as high as \$31, then crash-corrected back to \$25 later in the week as Cramer decided enough was enough.

Still, all the Cramer noise aside, Rediff's recent earnings report, showing a profit of more than \$1 per share, suggest that the company remains a value play, if no longer a technical-momentum story.

The trading in Rediff, of course, isn't the only thing Seattleites are whining about. Sports fans are still crying that officials "stole" the recent Super Bowl from the local Seahawks. Team coach Mike Holmgren also complained that vendors in the stands were much more aggressive about selling Pittsburgh Steeler towels than they were at hawking Seahawk towels.

Perhaps Holmgren, like those traders in Rediff, should have been paying more attention to what was happening on the field. Though there are whispers in football circles of a Curly Lambeau Curse, given that Holmgren himself was stolen, in the eyes of Green Bay Packers fans, from America's only fan-owned franchise. To paraphrase: Paul Allen's Microsoft billions can buy a coach, but not a Lombardi Trophy.

Now, by way of contrast, is the time to flip that position. Look for the greenback to spend much of 2006 retracing its temporary gains of last year, reverting to the long-term trend. Of the several vectors that tend to produce movement in the world's reserve currency, none is positive, and most are decidedly negative:

-- 1. The Fed. No matter how hawkish the Bernanke Fed talks, the departure of Alan Greenspan will leave markets much less certain about the value of the dollar. The replacement of Paul Volcker, Arthur Burns, and William McChesney Martin all produced crises for the dollar. (And, not by coincidence, U.S. stocks.)

-- 2. The economy. America's red ink is growing on the out-of-control budget, and the recently released report from Commerce suggests we could hit a \$1 trillion annual trade deficit by 2008. Given America's reserve currency privilege, the dollar can sometimes rally, as it did in 2005, as central banks around the world try to prop up the dollar's value. But the banks have grown exhausted and, indeed, are likely to allow a dollar slide in 2006-2007.

-- 3. World and U.S. politics. The potential for widening indictments in the CIA leak scandal remains, amidst a backdrop of weak performance by the president and a scandal-ridden Republican Congress in the polls.

Copyright 2006 by United Press International

Citation: Bottom Line: 'India's Google' (2006, February 11) retrieved 9 April 2024 from <https://phys.org/news/2006-02-bottom-line-india-google.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
